Use the Web to plan your retirement

E-BIZ

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Unlike employees in the traditional work world, many small businesses and self-employed entrepreneurs don't enjoy the luxury of participating in a pension plan. That means there isn't anyone, other than themselves, who will be responsible for their retirement beyond what, if anything, they may receive from the Canada Pension Plan. It is crucial that every entrepreneur ensure that they set aside an adequate amount of money each year to fund their retirement.

Of course, it is easy to ignore registered retirement savings plans and the entire planning issue. There is a business to be run, marketing efforts to be undertaken and client reports to prepare. Many entrepreneurs feel they just don't have time for this stuff.

You better make the time. The first thing entrepreneurs should do is scare themselves silly by realizing the impact of not investing now. Head to one of many Web sites that bring to the forefront the reality of your retirement situation. For example, visit the retirement planner calculator found on Toronto-Dominion Bank's Web site (**www.tdbank.ca/tdbank/tdam/mfplrp_1.html**). Using this tool, you can figure out how much money you'll have to invest in an RRSP each year until you retire in order to attain the level of income you hope to have for the rest of your life.

Chances are, once you play with this type of tool, you'll realize that an RRSP isn't really an option, it is a necessity. Otherwise, retirement is going to look pretty dismal.

That is why now is an opportune time to think about how much money you should invest in your RRSP this year. With the 1998 calendar year over, you can figure out how much tax you owe, and how you might reduce that amount by contributing to an RRSP.

The first step is to figure out where you stand tax-wise to get an idea of what type of tax liability you will face in the next few months. To do so, look into a personal tax program such as QuickTax (**www.intuit.com/canada/quicktax/index.html**). You can already obtain their Headstart version, which lets you do a fairly accurate calculation of how much tax you might owe for your 1998 level of personal income.

Now that you have a good idea of what type of tax liability you face, figure out how you can reduce this amount through an RRSP contribution. The key thing to recognize is that any money you place in an RRSP by March 1 will result in a direct reduction in the amount of tax that you have to pay by April 30, or will increase the refund that you may be expecting.

In addition to using a tax program that lets you do such a calculation, you can also use a number of Web sites to determine how much tax you can save this year by contributing to an RRSP. Visit the Ernst & Young Canada Web site (**www.eycan.com**). Look in the tax section, and under the tax calculators section, choose the EY/Personal RRSP Calculator. Plug in your taxable income and the amount that you hope to place into an RRSP, and you'll get an estimate of how much tax you'll save as a result of your contribution.

Need additional encouragement? At Quicken.ca (**www.quicken.ca**), the RRSP calculator not only tells you how much tax you can save from your RRSP contribution, but gives you an an idea of how much your investment will grow to by the time you retire.

What if you don't have the money set aside to place into an RRSP? In this case, you might consider taking out a loan for your investment. You can then use the money that you save on your taxes to pay down all or part of the loan, depending on the amount of the loan that you originally took out. You can learn more about the features of such RRSP loans at the Web sites of many Canadian banks, credit unions and other financial organizations.

Retirement planning for the entrepreneur isn't a luxury — it is a must. By using many of the tools, calculators and information resources to be found on the Web, you can quickly gain insight into what you should be considering for this taxation year.

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